

Competitive bidding for DME

ISSUE: Competitive bidding for durable medical equipment (DME) was demonstrated to lower prices without harming access or quality in two test areas between 1999 and 2002. Congress created a new competitive bidding process for DME suppliers in the Medicare Modernization Act of 2003 (MMA). A competitive bidding process for DME was to be phased in nationwide, starting with 10 metropolitan statistical areas (MSAs) in 2008 and expanding to 80 MSAs by 2009. The first round of competition took place, contracts were awarded, and the contracts took effect July 1, 2008. The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) terminated the contracts awarded in round one, delayed the competitive bidding process, and made several other changes to the program. The first round of competition will now occur in 2009. The second round of competition will occur in 2011.

KEY POINTS: The demonstration in the late 1990s showed competitive bidding could work and the resulting prices were lower than the fee schedule by 17-22 percent. Round one of the latest competition resulted in winning bids that were lower than the fee schedule by an average of 26 percent. However, MIPPA demonstrates that there is resistance to competitive bidding as embodied in the latest program.

ACTION: The Commission may want to discuss the results of the latest round of competitive bidding for DME.

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